GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2997
ANSWERED ON:02.08.2002
CONTRIBUTION OF FDI IN INDIAN ECONOMY
CHANDRA NATH SINGH;SADASHIVRAO DADOBA MANDLIK

Will the Minister of FINANCE be pleased to state:

(a) whether the FDI in India in the last two decades has resulted in the downfall of domestic investment;

(b) if so, whether there is no clear sign to its contribution to Indian economic growth; and

(c) if so, the steps taken/proposed to be taken by the Government to improve the domestic investment in the country?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE & COMPANY AFFAIRS (SHRI ANANT G. GEETE)

(a) & (b): No, Sir. The share of Foreign Direct Investment (FDI) in Gross Domestic Investment in India increased from 0.12 per cent in 1990-91 to 2.13 per cent in 2000-01; at which rate no downfall of domestic investment can occur. FDI has contributed to economic growth by supplementing domestic investment, providing technology upgradation, adding to improvement of managerial and technical skills and a widening of the marketing network

(c): Government has taken several steps to improve the domestic and foreign investment in the country, which amongst others, include liberalisation of policies in trade, industry, infrastructure, financial sectors, rationalization and reduction of both direct and indirect taxes, reduction of interest rates, tax holidays for investment in infrastructure and backward areas, combined with sound-macro economic policies so as to stimulate economic growth with stability in prices and exchange rates.